

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

TN.64/NP/3

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Special Distribution

Sub-Committee on the Tariff Negotiating Plan

TARIFF DISPARITIES

The secretariat has been asked to circulate the following text of a memorandum submitted on 14 October 1963 to the delegation of the European Economic Community by the delegations of Norway, Sweden, Switzerland, the United Kingdom and the United States. This memorandum is referred to in paragraph 2 of TN.64/NP/4.

Observations made by the Delegations of Norway, Sweden, Switzerland, United Kingdom and the United States

1. We have made a preliminary examination of a substantial number of United States tariff headings which the EEC would be able to identify as prima facie tariff disparities in relation to the corresponding headings in its own tariff on the basis of a minimum level of 30 per cent for the higher tariff and a minimum gap of 10 percentage points between the higher and the lower tariff. Our conclusions from this study are necessarily preliminary; we nevertheless think that they are sufficiently clear for us to bring them now to the attention of the EEC.

Basis of the study

2. We worked on the basis of a list of United States tariff rates and equivalent CET headings provided by the delegation of the EEC; it was stressed by the latter that the list was provisional, incomplete in some respects and contained some inaccuracies. We also had before us:

- (a) other statistical data provided by the United States delegation;
- (b) a list of United Kingdom tariff rates with equivalent CET headings on the same basis as the list of United States tariff headings referred to above and provided by the United Kingdom delegation.

3. We should make it clear that the fact that these lists have been drawn up on the basis of a minimum level of 30 per cent and a minimum gap of 10 percentage points does not necessarily imply acceptance of these criteria for the identification of prima facie tariff disparities; they have been used only for illustrative purposes.

Categories

4. It seemed to us that this examination clearly indicated that the items could usefully be divided into a number of main categories as follows:

- (a) items where there was a substantial flow of trade into the lower tariff country from the higher tariff country;
- (b) items where imports into the lower tariff country come not from the higher tariff country but predominantly from third countries;
- (c) items imported by the higher tariff country but supplied mainly by countries other than the lower tariff country showing an interest in the disparity.

5. It is, of course, possible and may be necessary to divide the tariff disparities which we examined into further categories, for example items which the lower tariff country does not produce or is not interested in exporting, or to use different minimum levels.

6. Some examples of these categories are annexed. The statistical data at present available to us - in particular detailed statistics of imports into the Community for a recent year - are not sufficient for us to break down the lists of United States and United Kingdom tariff rates referred to into these categories; this will be undertaken by the United States and the United Kingdom delegations as soon as the necessary statistical data are supplied by the Commission of the EEC.

Results of our studies

7. Two main points emerged from our studies. The first is that in the large majority of cases which we have examined, although the United States tariff may be higher than that of the EEC, the flow of trade into the EEC is predominantly from third countries. Application therefore by the EEC of tariff disparity treatment in these cases - in other words, application of a cut more shallow than the basic linear cut - would predominantly affect in the first instance, not the country in respect of which the tariff disparity was being invoked, but third countries.

8. The second is that in a large number of cases, although again the United States tariff may be higher than that of the EEC, the flow of trade into the United States is predominantly from countries other than the EEC. These third countries, not the EEC, are the ones primarily concerned with the level of the United States tariff on these items. In not a few cases, both the first and the second point apply.

9. Both these points clearly have important implications for the negotiations as a whole.

10. While we wish in no way to prejudice the study now being made by the Community of tariff disparities we think that the results of our studies, as set out above, are relevant to any such examination and we hope that in the course of it the Commission and the member States of the Community will be able to take these into account.

ANNEXTariff Disparities

Examples of items falling into the categories set out in paragraph 4 of the covering note.

- (a) Items where there was a substantial flow of trade into the EEC from the United States.

55.03 Cotton waste - EEC imports from the United States in 1960 \$3.4 million.

51.01A Yarn of man-made fibres (continuous) described in Note 1(a) - EEC imports from the United States in 1960 \$18.3 million.

56.01A Man-made fibres (discontinuous) described in Note 1(a) - EEC imports from the United States in 1960 \$7.3 million.

Note: In the absence of fully detailed EEC 1960 import statistics these figures are quoted without reference to EEC imports from other countries.

- (b) Items where, although the disparity is between the United States and EEC tariffs, imports into the EEC come predominantly from third countries.

48.09 Building board, etc. - imports into the EEC in 1962 \$18.6 million, of which imports from the United States were only \$417,000 and imports from EFTA countries \$13.3 million.

45.03 Articles of natural cork - total imports into the EEC in 1961 were \$9.7 million, imports from the United States were only \$11,000 and from Portugal \$6.8 million.

53.11 Woven fabrics of wool - total imports into the EEC in 1961 were \$54.0 million, imports from the United States were only \$0.1 million and from the United Kingdom were \$42.1 million.

- (c) Items imported into the United States but supplied mainly by countries other than the EEC.

45.04 Cork insulator blocks - total United States imports \$1.6 million of which Portugal supplied \$1.3 million.

46.03 Window blinds and similar articles of wood - total United States imports (Schedule A, No. 4280300) \$2.4 million of which Japan supplied \$2.3 million.

91.09 Certain watches - total United States imports \$3.5 million of which Switzerland supplied \$2.98 million.